

CANADIAN SOUTHERN BAPTIST SEMINARY
Financial Statements
Year Ended June 30, 2017



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INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Southern Baptist Seminary

We have audited the accompanying financial statements of Canadian Southern Baptist Seminary, which comprise the statement of financial position as at June 30, 2017 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Canadian Southern Baptist Seminary derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Canadian Southern Baptist Seminary. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the year ended June 30, 2017, current assets and net assets as at June 30, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Southern Baptist Seminary as at June 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

November 2, 2017

Chartered Professional Accountants

CANADIAN SOUTHERN BAPTIST SEMINARY
Statement of Financial Position
June 30, 2017

	General Fund	Other Funds	Capital Fund	Endowment Funds	Total 2017	Total 2016
ASSETS						
CURRENT						
Cash	\$ 252,506	\$ 319,256	\$ 195,089	\$ 5,089	\$ 771,940	\$ 525,569
Accounts receivable	53,639	347,727	547	-	401,913	124,501
GST recoverable	3,334	-	-	-	3,334	2,529
Prepays and deposits	47,724	3,593	-	-	51,317	47,517
	357,203	670,576	195,636	5,089	1,228,504	700,116
INVESTMENTS (at CNBC Foundation)	-	2,799,049	-	119,745	2,918,794	2,577,780
PROPERTY AND EQUIPMENT (Net) (Note 4)	-	-	3,895,801	-	3,895,801	3,073,426
	\$ 357,203	\$ 3,469,625	\$ 4,091,437	\$ 124,834	\$ 8,043,099	\$ 6,351,322
LIABILITIES AND FUND BALANCES						
CURRENT LIABILITIES						
Accounts payable	\$ 105,335	\$ 16,614	\$ -	\$ -	\$ 121,949	\$ 118,834
Deferred revenue	25,890	-	-	-	25,890	13,446
	131,225	16,614	-	-	147,839	132,280
FUND BALANCES						
Endowment (Note 5)	-	-	-	124,834	124,834	113,574
Restricted (Note 6)	-	3,453,011	195,486	-	3,648,497	2,806,909
Invested in property and equipment	-	-	3,895,801	-	3,895,801	3,073,426
Unrestricted	225,978	-	150	-	226,128	225,133
	225,978	3,453,011	4,091,437	124,834	7,895,260	6,219,042
	\$ 357,203	\$ 3,469,625	\$ 4,091,437	\$ 124,834	\$ 8,043,099	\$ 6,351,322

LEASE COMMITMENTS (Note 9)

ON BEHALF OF THE BOARD

DK Hale _____ Trustee

DK Hale

Kelly Reid _____ Trustee

Kelly Reid

CANADIAN SOUTHERN BAPTIST SEMINARY
Statement of Operations and Changes in Net Assets
For the Year Ended June 30, 2017

	General Fund	Other Funds	Capital Fund	Endowment Funds	Total 2017	Total 2016
REVENUES						
Contributions & gifts (Note 7)	\$ 423,558	\$ 796,849	\$ 1,050,545	\$ 4,400	\$ 2,275,352	\$ 931,361
CNBC (Notes 1, 7)	56,741	-	-	-	56,741	52,956
BMI (Note 7)	39,700	-	-	-	39,700	48,885
Student fees	407,430	-	-	-	407,430	295,974
Rental revenue	476,320	-	-	-	476,320	516,192
Investment income - CNBC Foundation	-	223,835	-	9,686	233,521	30,798
Investment income - other	242	2,342	1,365	-	3,949	4,406
Other Income	2,863	596	2,855	-	6,314	20,354
	<u>1,406,854</u>	<u>1,023,622</u>	<u>1,054,765</u>	<u>14,086</u>	<u>3,499,327</u>	<u>1,900,926</u>
EXPENSES						
Administrative offices	439,149	5,000	-	-	444,149	432,649
Institutional advancement offices	235,768	-	-	-	235,768	203,683
Academic Services	419,560	97	-	-	419,657	462,460
Campus Services	519,965	-	-	-	519,965	486,382
Amortization	-	-	309,210	-	309,210	259,768
Interest	-	-	-	-	-	2,131
Other	-	109,248	944	2,826	113,018	75,155
	<u>1,614,442</u>	<u>114,345</u>	<u>310,154</u>	<u>2,826</u>	<u>2,041,767</u>	<u>1,922,228</u>
NET OPERATIONS - prior to other income	(207,588)	909,277	744,611	11,260	1,457,560	(21,302)
GAIN (LOSS) ON DISPOSALS	218,658	-	-	-	218,658	-
NET OPERATIONS - prior to transfers	11,070	909,277	744,611	11,260	1,676,218	(21,302)
TRANSFERS						
Capital	(10,225)	(81,601)	91,826	-	-	-
	<u>(10,225)</u>	<u>(81,601)</u>	<u>91,826</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET REVENUES (EXPENDITURES)	845	827,676	836,437	11,260	1,676,218	(21,302)
FUND BALANCES - beginning of year	225,133	2,625,335	3,255,000	113,574	6,219,042	6,240,344
FUND BALANCES - end of year	\$ 225,978	\$ 3,453,011	\$ 4,091,437	\$ 124,834	\$ 7,895,260	\$ 6,219,042

CANADIAN SOUTHERN BAPTIST SEMINARY
Statement of Cash Flows
For the Year Ended June 30, 2017

	General Fund	Other Funds	Capital Fund	Endowment Funds	Total 2017	Total 2016
OPERATING ACTIVITIES						
Net revenues (expenditures)	\$ 845	\$ 827,676	\$ 836,437	\$ 11,260	\$ 1,676,218	\$ (21,302)
Items not affecting cash:						
Amortization	-	-	309,210	-	309,210	259,768
Gain on disposal of property & equipment	(218,658)	-	-	-	(218,658)	-
Gifts in kind received	-	-	(975,000)	-	(975,000)	-
	(217,813)	827,676	170,647	11,260	791,770	238,466
Changes in non-cash working capital:						
Accounts receivable	1,296	(278,843)	35	100	(277,412)	241,274
Accounts payable	13,397	(10,281)	-	-	3,116	872
Deferred income / revenue	12,444	-	-	-	12,444	158
Prepaid expenses	(3,801)	-	-	-	(3,801)	(2,690)
GST payable (receivable)	(806)	-	-	-	(806)	685
	22,530	(289,124)	35	100	(266,459)	240,299
Cash flow from operating activities	(195,283)	538,552	170,682	11,360	525,311	478,765
INVESTING ACTIVITIES						
Purchase of property & equipment	-	-	(156,585)	-	(156,585)	(34,684)
Proceeds on disposal of property & equipment	218,659	-	-	-	218,659	1,500
Investments at CNBC Foundation	-	(331,783)	-	(9,231)	(341,014)	(494,673)
Cash flow from (used by) investing activities	218,659	(331,783)	(156,585)	(9,231)	(278,940)	(527,857)
FINANCING ACTIVITY						
Short term debt	-	-	-	-	-	(133,559)
(Repayment of) demand loans	-	-	-	-	-	(133,559)
INCREASE (DECREASE) IN CASH FLOW						
	23,376	206,769	14,097	2,129	246,371	(182,650)
Cash - beginning of year	229,130	112,487	180,992	2,960	525,569	708,219
CASH - END OF YEAR	\$ 252,506	\$ 319,256	\$ 195,089	\$ 5,089	\$ 771,940	\$ 525,569

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements For the Year Ended June 30, 2017

1. ORGANIZATION

The Canadian Southern Baptist Seminary (the "organization"), a wholly controlled subsidiary organization of the Canadian National Baptist Convention (the "CNBC"), provides services pursuant to the Canadian Southern Baptist Seminary Act. On July 6, 1988, the Canadian Southern Baptist Seminary was incorporated by private members petition in the Legislative Assembly of Alberta. The organization is a charitable organization registered under the Income Tax Act and as such is exempt from income tax.

The purpose of the organization is to provide training and theological education of pastors and other church workers to carry out the Great Commission of the Lord Jesus Christ in and through local churches throughout the world.

The organization consists of students who are from member churches and other evangelical churches, administrative staff and faculty instructors. The organization is governed by a Board of Trustees elected by messengers of cooperating churches of the CNBC. The President, as Chief Executive Officer, is appointed to handle the organization's affairs and carry on the general operations of the organization.

While the organization earns revenue from those registered in its programs, the continued operation of the organization is dependent on the donations of interested individuals and the support of the CNBC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) applied on a going concern basis.

Fund accounting

The organization uses fund accounting to report its activities. A description of the purposes for the various funds is as follows:

(a) Unrestricted general funds are used by the Board of Trustees to carry on the general operations of the organization. The general fund consists primarily of organization approved budget items for programs and administration. The principal sources of support and contributions are from supporting churches, the CNBC, the International Mission Board and the North American Mission Board of the Southern Baptist Convention.

(b) Restricted funds account for amounts given for specific purposes.

(c) Capital funds account for amounts contributed by donors for specific capital purposes, designated funds expended for the organization's capital additions and for funds obtained through financing of the additions to the facilities.

(d) Endowment funds account for amounts contributed by donors for funds whose principal amounts are retained in perpetuity in order to provide investment earnings to be expended for organization operations or other designated purposes.

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CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

For the Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealised gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Cash and cash equivalents

Cash and cash equivalents consist primarily of bank accounts and deposits with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

Funds invested with CNBC Foundation

All marketable securities are carried at fair value.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Land development costs	20 years	straight-line method
Buildings and improvements	30 years	straight-line method
Student housing complex	30 years	straight-line method
Water storage tanks	20 years	straight-line method
Library books	10 years	straight-line method
Machinery and equipment	10 years	straight-line method
Furniture and fixtures	10 years	straight-line method
Library and computer equipment	5 years	straight-line method
Automotive	10 years	straight-line method

The organization regularly reviews its property and equipment to eliminate obsolete items.

Revenue Recognition

The organization follows the restricted fund method of accounting for contributions. Unrestricted contributions from donors are recognized as revenue in the general fund when received. Restricted contributions are recognized as revenue of the specific restricted fund or, when a restricted fund does not exist, as deferred contributions and brought into income when the related expense is incurred.

Tuition for student fees is recognized upon commencement of the academic program.

Rental revenue is recognized as revenue in the period in which it is earned.

Investment income is recorded as earned and includes fair value adjustments to financial assets.

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CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

For the Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they became known.

Significant estimates included in these financial statements include amortization of property and equipment and ability to collect on accounts receivable.

Allocated expenses

The organization had fundraising costs of \$61,539 during the year. All general expenses are included in general fund administrative offices costs.

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

3. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, accounts receivable, investments (including CNBC Foundation investments which are primarily invested in marketable securities), accounts payable and demand loans.

Investments are adjusted to fair value at each reporting date (determined by reference to price available on public trading markets). All other financial instruments are recorded at amortized cost and are reviewed each year for indications of impairment.

Interest rate risk

The organization was exposed to interest rate risk with respect to its demand debt which was repaid. Interest is calculated at the bank prime rate plus 0.98% (2016: 0.77%) and is accordingly subject to fluctuation.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from student receivables. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of smaller amount student receivables which minimizes concentration of credit risk.

Currency Risk

Currency risk is the risk to the organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The organization does not use derivative instruments to reduce its exposure to foreign currency risk.

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

For the Year Ended June 30, 2017

4. PROPERTY & EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land - cost	\$ 142,500	\$ -	\$ 142,500	\$ 142,500
Land improvements	1,357,813	513,719	844,094	887,472
Buildings	2,630,256	2,089,756	540,500	620,917
Housing	4,456,330	2,297,451	2,158,879	1,325,649
Library books	276,733	248,132	28,601	27,234
Furniture and equipment	532,008	514,392	17,616	22,663
Technology and computer equipment	50,400	26,532	23,868	21,580
Machinery and equipment	303,348	201,411	101,937	17,611
Motor vehicles	130,853	93,047	37,806	7,800
	\$ 9,880,241	\$ 5,984,440	\$ 3,895,801	\$ 3,073,426

5. ENDOWMENT FUNDS

	2017	2016
Yew-Teck Chung Memorial Scholarship Fund	\$ 36,544	\$ 34,650
DLH Scholarship Fund	25,604	24,276
Percy and Marion Lee Religious Education Scholarship Fund	16,947	15,668
Len Koster Memorial Scholarship	19,167	14,208
Encouragement Fund	12,423	11,551
Blackaby Chair for Spiritual leadership	7,402	6,806
The Randall Harper Preaching Award	6,747	6,415
	\$ 124,834	\$ 113,574

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

For the Year Ended June 30, 2017

6. RESTRICTED FUNDS

	<u>2017</u>	<u>2016</u>
Restricted Funds		
Hale Scholarship	\$1,572,215	\$1,023,828
General restricted fund	812,676	753,257
Faculty restricted fund	362,783	333,570
Public relations & development fund	120,971	-
Osborne/Miller Scholarship fund	60,484	57,343
McGough Seminary Day fund	58,817	56,323
Jeffrey Way Scholarship fund	54,562	50,243
Madam Min-Tuck Chen Memorial Scholarship	41,856	39,083
Heng-Lan Cheng Memorial Scholarship fund	38,576	35,962
Madalene Cain Scholarship	37,183	35,238
Blackaby Spiritual Leadership Award	34,351	32,617
The Jimmie & Dolores Nelson Memorial Adjunct Professor fund	29,551	28,317
Student housing deposits fund		
Academic/Administration fund	25,664	2,122
Library fund	26,056	26,243
Muriel F Blackwell Childhood Education Scholarship	21,679	20,006
TBM Scholarship fund	21,397	20,179
Miscellaneous fund	19,640	1,299
Blackaby Leadership Lecture Series	16,256	12,533
Nehemiah fund	15,341	15,647
Morales Evangelism Award	13,666	12,969
Stephen Gover Memorial First Nations/Metis Scholarship fund	12,977	11,976
The Brandon Harvest Baptist Church Scholarship	12,185	11,570
General Scholarship fund	12,050	11,439
David & Judi Young Scholarship	9,123	8,649
Current Scholarship fund	8,420	11,193
Justice Award fund	7,052	6,560
Price Memorial Scholarship	5,865	5,550
Funded reserve	649	267
Student Services fund	521	906
Mitra Scholarship	445	445
	<u>\$3,453,011</u>	<u>\$2,625,334</u>
Capital Fund		
Spears Seminary Recreation fund	\$84,445	\$81,828
Technology fund	63,095	70,120
Capital fund	47,946	29,627
	<u>\$195,486</u>	<u>\$181,575</u>
Grand total	<u>\$3,648,497</u>	<u>\$2,806,909</u>

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements For the Year Ended June 30, 2017

7. RELATED PARTIES

The Seminary received support from the following related parties during the year:

The **Canadian National Baptist Convention (CNBC)** has sole ownership of the CSBS and the school is the only institution of higher education operated by the denomination of over 390 churches. As such, the school receives regular monthly support from the denomination. The CNBC exists because the churches that make it up believe that no one church can effectively carry out the Great Commission by herself. It will be best done in cooperation with other churches that believe essentially the same doctrines and that are committed to total evangelism. Total evangelism begins with church planting so that lost persons may be won to Christ, baptized and taught. It includes training leaders to plant and lead churches and training those who come to Christ. It includes works of ministry and mercy to meet the physical needs and hurts of a lost and hurting world. The CSBS is an essential vehicle for accomplishing the task of training of leaders.

The **North American Mission Board (NAMB)** is an agency of the Southern Baptist Convention. This agency assists Southern Baptists in the United States and Canadian National Baptists in Canada in their task of fulfilling the Great Commission in the United States, Canada and their territories through a North American strategy for sharing Christ, starting churches and sending missionaries, in cooperation with Acts 1:8 Partners. In keeping with its strategy NAMB has assumed responsibility for funding one of the professorships at the Canadian Southern Baptist Seminary (CSBS).

The CSBS Professor of Church Planting is paid directly by NAMB and is jointly supervised by NAMB and CSBS. NAMB does not have any influence in the day-to-day operations nor the creation and implementation of policies at CSBS. Their role is one of support in helping CSBS achieve its purpose of training God-called men and women for twenty-first century leadership in tough places. The Seminary funded all expenses from surplus Nehemiah funds in prior years.

Blackaby Ministries International (BMI) is an organization that focuses on three key areas of Christian ministry: Experiencing God; Helping people to experience God; Revival; Helping people and churches return to God and Spiritual Leadership: Helping church, business and family leaders move people on to God's agenda. BMI was founded by Henry T. Blackaby (now president emeritus) and is now led by Richard G. Blackaby (president).

Because of the decades long work of the Blackaby family in Canada helping to establish what is now the Canadian National Baptist Convention and the Canadian Southern Baptist Seminary, the family chooses to partner now with the seminary to ensure that the purpose of the school is accomplished. The organization exercises no influence over CSBS in any regard. It is strictly an organization in voluntary partnership with this institution.

The **International Mission Board (IMB)** is an agency of the Southern Baptist Convention. The agency partners with churches to empower limitless missionary teams who are making disciples and multiplying churches among unreached peoples and places for the glory of God. The Mission of the agency is evangelizing, discipling and planting reproducing churches among all peoples in fulfillment of the Great Commission. The Vision of the agency is a multitude from every language, people, tribe and nation knowing and worshipping our Lord Jesus Christ.

Two of the agency's seven Core Values have a direct bearing on its partnership with the Canadian Southern Baptist Seminary (CSBS): partner with Baptists and other Christians around the world in accordance with IMB guidelines and understand and fulfil God's mission through God's word, prayer and the leadership of the Holy Spirit. In keeping with its strategy IMB has assumed responsibility for placing three missionary units (couples) at the CSBS. During 2017, three housing units were gifted for a total value of \$975,000 and CSBS has committed to provide accommodation to the three missionary units (couples) while they are assigned to CSBS.

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

For the Year Ended June 30, 2017

8. DEFERRED GIFTS

The organization is the owner of certain life insurance policies totaling \$370,000 which have been gifted by donors. Charitable donation receipts have been issued by the organization to the donors for the premiums which they have paid on the policies.

9. LEASE COMMITMENTS

The organization has the following lease commitments for office equipment and electricity consumption:

2018	\$	48,930
2019		<u>27,090</u>
	\$	<u>76,020</u>
